

## **6.0 Consumer Protection Policies and Procedures**

### **6.1 Introduction**

Consumer protection standards and policies at the state and federal levels are generally designed to protect consumers from the possibility of unfair service restrictions or inequitable cost recovery practices. The Washington Utilities and Transportation Commission (UTC) establishes consumer protection policies and standards for Washington's investor-owned utilities. Local officials or cooperative boards determine their own standards for protecting consumers of public or cooperative utilities.

Changes in the telecommunications industry may offer valuable lessons for consumer protection in the utility industry. The telecommunications industry today is a mixed-competitive industry. Most consumers have a broad choice of long distance providers, but many still have monopoly local providers. The UTC's experience indicates that, as more providers enter the market and as customers are faced with an increasing number of choices, they become more confused, particularly around billing issues. This confusion, coupled with unscrupulous practices by a few providers, has resulted in escalating complaint levels.

In 1998, the UTC received about 560 billing complaints from customers of long distance providers. This is 3.5 times higher than the number received in 1991, and twice the number received in 1994. Even at the local level, where most consumers do not have a choice of providers, we have seen increased billing disputes as the industry changes. Local providers bill for other providers, giving many companies a vehicle for adding charges to consumers' bills; consumers have an increasing number of choices regarding optional local services, such as Caller ID and Call Waiting; and many local companies are positioning themselves for competition. These factors have combined to add confusion and questionable practices at the local service level. In 1997, consumers filed twice the number of billing complaints for local service providers with the UTC than in 1996. In 1998, this number was about 1.5 times the 1997 level.

Some special characteristics of electric service are worth noting in evaluating the importance and nature of consumer protection policies. Electricity is an essential service for industrial operations, commercial structures, and homes. In many applications, it has no substitute. It is also a very technically complex service; many consumers do not have or want all the information that may be necessary to ensure consumer protection. These special characteristics will continue to exist in any industry structure, and may warrant particular attention in policy decisions regarding consumer protection.

### **6.1.1 Purpose and Scope**

ESSB 6560 directs the Utilities and Transportation Commission (UTC) and the Department of Community, Trade and Economic Development (CTED) to jointly study consumer protection policies and procedures of electric utilities. The legislation further directs the two agencies to report on policy and procedural consistencies and inconsistencies among utilities. In collecting information for the report, the agencies focused on the following general categories of consumer protection:

- ❖ How utilities allow customers to establish credit and requirements for deposits.
- ❖ How utilities inform customers about initial and subsequent terms, rates and charges.
- ❖ Utilities' policies and procedures for metering, estimated billings and adjustments.
- ❖ Information about bill payment due dates, late fees, budget payment plans, payment arrangements and financial assistance plans.
- ❖ How utilities notify customers of disconnection of service, and how a customer can be reconnected.
- ❖ Confidentiality issues, such as what information about a customer's account can be disclosed and how a customer can control access to information.
- ❖ How a customer can file a complaint about electric service.
- ❖ Whether retail contracts contain consumer protection provisions.
- ❖ Whether utilities ask customers what type of protections they believe they need.

### **6.1.2 Methodology**

In order to gather information, UTC and CTED jointly prepared a survey for participating electric utilities. Eighteen utilities returned the survey, although not all utilities were able to provide information in all areas. The survey asked for various materials that utilities provide to their customers and posed a number of specific questions about their consumer protection policies and procedures.

UTC and CTED also researched consumer protection policies and procedures throughout the United States to make comparisons between Washington state practices and other jurisdictions and with standards proposed by consumer protection agencies and experts.

## **6.2 Consumer Protection Policies and Procedures**

### **6.2.1 Credit and Deposit Requirements**

The survey asked questions about how customers establish electric service and what requirements utilities had to reduce their own financial risk in supplying customers with service. The following table illustrates the differing approaches to credit and deposit policies and procedures:

**Table 6.1 Credit and Deposit Requirements***Investor-Owned Utilities (3 utilities reporting):*

Issue	Yes	Percent of WA Customers	No	Not Available
Does the utility charge for new service?	1	33%	1	1
Does the utility require a deposit for customers who may be a credit risk?	3	45%		
Can the deposit be paid in installments?	3	45%		
Does the utility offer alternatives to paying a deposit?	3	45%		
Does the utility pay interest on deposits?	3	45%		

*Public Utilities (15 utilities reporting):*

Issue	Yes	Percent of WA Customers	No	Not Available
Does the utility charge for new service?	7	11%	1	7
Does the utility require a deposit for customers who may be a credit risk?	10	31%	1	4
Can the deposit be paid in installments?	9	23%	2	4
Does the utility offer alternatives to paying a deposit?	6	11%	6	3
Does the utility pay interest on deposits?	5	22%	2	8

Several utilities reported charging customers for establishing service. Charges averaged around ten dollars and ranged as high as \$100.

Of the 14 utilities who reported on deposits, 13 have the option of requiring deposits either upon application for service or at a subsequent point when the customer proves to be a credit risk. Half the utilities that require deposits state that at the time of establishing an account, the customer's credit history is reviewed to determine if a deposit is needed. Utilities normally look at any previous service history the applicant had with the utility or a similar utility. For example, a utility may look at the number of disconnect notices and disconnections a customer had; whether the applicant is a homeowner; or whether the applicant has two major credit cards with a good payment history. Three of the smaller utilities only require deposits with customers who have started a pattern of not paying their bills. Only one utility does not require a deposit at all.

Most of the utilities offered alternatives or waivers of the deposit in certain cases. Many utilities allowed the applicant to submit a guarantor or co-signer on the account as a second party to pay unpaid balances. A couple smaller utilities waived the deposit requirement for customers who agree to have payments automatically deducted from their bank accounts.

For utilities requiring deposits, half require an estimated average of two months' billing. Three smaller utilities set deposit amounts ranging from \$100 to \$200. Most utilities allowed the customer to pay the deposit in installments, ranging from half the amount paid in the first month and two payments thereafter, to allowing the customer to propose the payment arrangement. Only two utilities required full payment at the time the deposit was requested.

Eight utilities reported they compensate customers by paying interest on the deposit. Normally the interest rate calculation is 5 to 6 percent, or, for companies regulated by the UTC, a calculated average of the current year's Treasury bills. The

deposit with applicable interest is either refunded to the customer after a period of time of satisfactory credit record, usually one year, or is applied to the customer's account when the account is closed or becomes past due.

UTC addresses establishment of credit and deposit issues in WAC 480-100-046, WAC 480-100-051, WAC 480-100-056, and WAC 480-100-116 for investor-owned utilities.

In addressing general credit and deposit issues, the Federal Trade Commission (FTC) stated that policies should be "appropriate." The National Association of Regulatory Utility Commissioners (NARUC) stated they should be "fair and nondiscriminatory."

A fundamental purpose of consumer protection in this area is to avoid redlining, or the discriminatory use of credit information in the use of deposits or in the offering of services. Consumer advocates believe the Equal Credit Opportunity Act and the Fair Credit Reporting Act should be employed to prevent redlining and ensure that deposits are required appropriately.

### **6.2.2 Customer Billing and Rate Information**

The survey questioned how customers were informed about billing issues and rate information. The table below displays the number of companies who provide various information to their customers:

**Table 6.2 Customer Billing and Rate Information**

*Investor-Owned Utilities (3 utilities reporting):*

Issue	Yes	Percent of WA Customers	No	Not Available
Does the utility provide customers information about rates and charges upon request?	3	45%		
Does the utility provide customers information about rates and charges proactively, without specific requests?	1	4%		2
Does the utility provide customers information about rate changes?	3	45%		
Does the utility provide customers information about their ability to participate in rate hearings?	3	45%		

*Public Utilities (15 utilities reporting):*

Issue	Yes	Percent of WA Customers	No	Not Available
Does the utility provide customers information about rates and charges upon request?	15	43%		
Does the utility provide customers information about rates and charges proactively, without specific requests?	4	24%	9	2
Does the utility provide customers information about rate changes?	4	16%		11
Does the utility provide customers information about their ability to participate in rate hearings?	3	16%		12

All utilities stated they provide customers with some information on billing or rates such as proposed rate increases upon request. Less than half provide this type of information without the consumer requesting it, although a few utilities provide billing information at the time of application and provide periodic newsletters or bill inserts to keep customers informed of various issues.

Most utilities stated they only provide this information upon written or verbal request from customers. Only a couple of the smaller utilities and all the larger utilities provided notice to their customers of proposed rate changes and how customers could become involved in the rate-making process.

WAC 480-100-101 sets the requirements for investor-owned utilities regarding what information must be provided on customer bills; and WAC 480-100-041 sets requirements for these utilities regarding information that must be provided to consumers.

A report by the National Consumer Law Center proposes that customers be provided with rate information in simple, uniform language. NARUC advises that companies should provide sufficient and reliable information regarding billing, rates, metering and other issues so consumers can make informed choices. The Regulatory Assistance Project (RAP) suggests customers be provided with a “terms of service” brochure, using simple, understandable language, within three days of service application. In addition, RAP suggests monthly bills explain the total price, rate design and price per kilowatt hour for electric usage. The FTC cautioned that costs of disclosing information cause rate increases.

Wisconsin proposed rules requiring that rate schedules be included annually in customers’ bills or when rate changes become effective. Ohio’s rules require utilities to provide new customers with a “rights and obligations” summary that would also be provided to any customer upon request. Rates and tariffs are to be available upon request at the company’s office. Maine also requires that terms of service be disclosed at the time of initial application.

### **6.2.3 Metering, Estimated Billings and Adjustments**

There is a great deal of variation in both fees utilities charge to customers who request meter testing and bill adjustments that utilities provide to those customers. There is little variation among utilities regarding metering and billing policies, their ability to estimate bills or the reasons for estimating bills.

The following table illustrates metering issues:

**Table 6.3 Metering, Estimated Billings and Adjustments**

*Investor-Owned Utilities (3 utilities reporting):*

Issue	Yes	Percent of WA Customers	No	Not Available
Does the utility bill on a regular (either monthly or bi-monthly) basis?	3	45%		
Does the utility bill estimated amounts in lieu of actual meter readings under certain conditions?	3	45%		

*Public Utilities (15 utilities reporting):*

Issue	Yes	Percent of WA Customers	No	Not Available
Does the utility bill on a regular (either monthly or bi-monthly) basis?	14	45%		1
Does the utility bill estimated amounts in lieu of actual meter readings under certain conditions?	13	45%		2

Metering and billing practices are very similar across the utilities surveyed. The majority of utilities read meters and bill customers monthly. Nearly all commercial and industrial customers are on a monthly basis as are a little more than half of the residential customers. Otherwise, these customer classes receive bi-monthly meter reading and billing. Four utilities indicated separate seasonal meter reading and billing schedules for irrigation customers.

Two utilities indicated that some customers with fixed electricity consumption may not be metered at all and the utility bills the customer a fixed amount. Additionally, at least one utility may estimate electricity consumption on a temporary basis when conditions make metering impractical.

All responding utilities indicated that they are allowed to estimate the consumer's bill in lieu of an actual meter reading. The most common policy is one that states, "if for any reason the utility cannot read the meter, the utility may estimate the bill." Practically speaking, bill estimation is due to inclement weather, hostile animals, broken meters or general meter inaccessibility. Five utilities estimate bills when customers do not send in their meter-reading card on time, with one utility reporting that 70 percent of its consumers read their own meters monthly.

A range of practices and charges is apparent among the nine utilities disclosing their policies on adjusting bills due to meter errors. Five utilities provide free meter testing at the consumer's request as often as once a year or in response to a high bill complaint or as infrequently as once every ten years. Remaining utilities never offer this free testing service. If consumers request more frequent testing, then consumers pay the cost of the test. All nine utilities will test meters at consumer's request for a price. Two utilities charge \$25 per test and one utility charges \$50 per test. Most utilities require that the meter perform within a 2 percent margin of error. All utilities waive the meter testing charge if the meter fails the test.

Utilities provide a range of bill adjustments upon determination of a meter error. Two utilities adjust the last six months of bills to the current customer. One utility

adjusts the last three months of bills, four utilities adjust the last month's bill and one adjusts bills as appropriate.

UTC regulates investor-owned utilities in this area, as described in WAC 480-100-111, 121, 126, 131, 136, 141, 146, 166, 171, 176, 181 and 201. RCW 80.28.170 also addresses meter testing requirements.

### 6.2.4 Bill Payment and Assistance

The following table illustrates the policies and procedures which utilities employ in establishing requirements for customers to pay bills.

**Table 6.4 Bill Payment and Assistance**

*Investor-Owned Utilities (3 utilities reporting):*

Issue	Yes	Percent of WA Customers	No	Not Available
Does the utility charge customers for late payments?	1	33%	2	
Does the utility provide customers with information about late payment fees on its bills?		0%		3
Can the customer choose a payment date other than that assigned by the utility?	3	45%		
Does the utility offer budget payment, or equalized payment, plans?	3	45%		
Does the utility offer customer extended payment options for past due amounts?	3	45%		
Is home heating assistance available to customers?	2	12%		1
Does the company inform customer about the availability of home heating assistance?	2	12%		1

*Public Utilities (15 utilities reporting):*

Issue	Yes	Percent of WA Customers	No	Not Available
Does the utility charge customers for late payments?	9	28%	4	2
Does the utility provide customers with information about late payment fees on its bills?	6	22%	1	8
Can the customer choose a payment date other than that assigned by the utility?	7	12%	8	
Does the utility offer budget payment, or equalized payment, plans?	15	43%		
Does the utility offer customer extended payment options for past due amounts?	12	24%	3	
Is home heating assistance available to customers?	8	29%	1	6
Does the company inform customer about the availability of home heating assistance?	8	30%	1	6

Among responding utilities, all require customers to pay their bills between 10 and 20 days from either billing or mailing date. Half of these utilities said customers have the option of designating their own payment date different from that normally assigned by the utility. In most cases, these requests are to allow a payment date that corresponds to the customer's income cycle. A couple smaller utilities only allowed the date change if the customer agreed to enter into a budget payment plan or an automatic bank account deduction.

Approximately half the utilities charge a late payment fee on past due accounts. This policy was shared fairly equally by small, medium and large utilities. Fees

ranged from \$2.50 for smaller amounts past due, and between 1 percent and 5 percent per month on unpaid balances. Fees are applied once the due date has passed or in some cases, if the bill has not been paid by the next billing cycle. Half of the utilities explain their late payment fees on billing statements.

Most utilities allowed customers to make payment arrangements on past due balances. Usually this is done on a case-by-case basis, with some utilities placing a limit on the number of months customers can use to pay past due amounts.

All utilities had a budget billing program, where the customer can pay the same amount each month throughout the year. The advantage of this program for customers is that they do not have to find extra money in the winter for high heating bills. Budget billing amounts are generally calculated by estimating the annual usage amount and spreading that amount over 12 months. Customers are usually notified about the budget billing option when they contact the utility to negotiate payment arrangements on a past due bill. Customers are also informed about budget billing plans through bill inserts, newsletters, information on the bill, new customer packet information, special mailings, and brochures. The number of customers on this plan range from 1 percent to 30 percent of a utilities' residential customers.

In addition, more than half of the utilities either offer their own heating assistance options, or take advantage of assistance options offered by others, to help customers meet electric payments. Options range from governmental programs such as the nationally-funded Low Income Home Energy Assistance Program (LIHEAP) and community action agency programs, to a utility's own rate-discount program for senior, disabled or low income customers. Most utility programs are funded through private donations from customers who donate when they pay their bill. Information on these programs is provided to customers in the same way as budget billing programs. The number of customers receiving financial assistance through these programs ranges from 3 percent to approximately 27 percent of total residential customers. (See Section 9.4 for further discussion of low-income energy services.)

WAC 480-100-072 describes the requirements for investor-owned utilities around issues of payment arrangements. RCW 80.28.010(7) codifies the requirement that investor-owned utilities must offer budget payment plans.

NARUC states that late payment charges should be fair and nondiscriminatory. RAP added that late payment charges should be stated on the front of the bill. Wisconsin allows late payment charges within their rules, limiting the amount to 3 percent of the bill with a minimum charge of 50 cents.

Wisconsin also ruled that utilities with more than 40,000 customers should annually and no later than October 15 of each year provide budget billing and heating assistance program information to those who have been disconnected for non-payment.



### 6.2.5 Disconnection of Service

Two-thirds of the utilities provided information regarding their service disconnection procedures for past due accounts. A summary of that information follows:

**Table 6.5 Disconnection of Service**

*Investor-Owned Utilities (3 utilities reporting):*

Issue	Yes	Percent of WA Customers	No	Not Available
Does the utility provide customers written mailed notice of pending disconnections?	3	45%		
Does the company have any limits on when it may disconnect (i.e., time of day or seasonal restrictions)?	3	45%		
Is the technician sent out to disconnect the company allowed to collect past due amounts in lieu of disconnection?	3	45%		
Does the utility have different disconnection procedures if the account holder is not the same as the service user?	3	45%		
Does the utility have different disconnection procedures if the account holder claims a medical emergency?	3	45%		
Does the utility have different disconnection procedures if the account holder is a medical facility?	2	38%	1	
Can the utility disconnect the customer if a complaint is pending with the utility?		0	3	
Is there a charge to the customer for sending a technician to the premises to disconnect the customer?	2	12%		1
Does the company charge the customer for reconnecting service?	3	45%		
Must the customer pay all past due amounts before reconnection?		0	3	
Must a customer pay a deposit before reconnection?	2	12%	1	

*Public Utilities (15 utilities reporting):*

Issue	Yes	Percent of WA Customers	No	Not Available
Does the utility provide customers written mailed notice of pending disconnections?	11	35%		4
Does the company have any limits on when it may disconnect (i.e., time of day or seasonal restrictions)?	11	34%	3	1
Is the technician sent out to disconnect the company allowed to collect past due amounts in lieu of disconnection?	8	29%	3	4
Does the utility have different disconnection procedures if the account holder is not the same as the service user?	6	24%	4	5
Does the utility have different disconnection procedures if the account holder claims a medical emergency?	6	39%	5	4
Does the utility have different disconnection procedures if the account holder is a medical facility?	4	24%	3	8
Can the utility disconnect the customer if a complaint is pending with the utility?	1	<1%	13	1
Is there a charge to the customer for sending a technician to the premises to disconnect the customer?	6	31%		9
Does the company charge the customer for reconnecting service?	13	41%	1	1
Must the customer pay all past due amounts before reconnection?	11	38%	3	1
Must a customer pay a deposit before reconnection?	4	4%	10	1

All of the reporting utilities stated they provide written notices, with many of them sending additional reminder notices or personally contacting the customer by telephone or site visit. The average elapsed time between notice and actual disconnect is about eight days. One smaller utility allows 25 days.

Most utilities said if the service person was dispatched to disconnect service, they were allowed to accept payment at the customer's site to avoid the disconnection. One utility said its service person was not allowed to accept payment for safety reasons. Medium to large utilities charge the customer for disconnection of service, in addition to any subsequent charges the customer might incur for reconnection. Charges range from \$9 to \$22 for disconnection of service.

Four of the smaller utilities disconnect the customer's service even though the customer contacted the utility to dispute the bill. Thirteen of the other utilities representing small, medium and large utilities would not disconnect a customer while a dispute was pending. A few of the smaller utilities said that in order to avoid disconnection, the customer could contact them to negotiate payment.

Approximately twenty percent of the utilities - primarily smaller ones - do not have restrictions on what day they disconnect service. Sixty percent do not disconnect service when the customer is not able to make arrangements for reconnection the same or following day. A few utilities said cold temperatures also restricted disconnection of service.

Almost all utilities charge a reconnection fee if they have to dispatch a service person to reconnect service. There is a wide array of charges imposed, and the charges increase if the service person is required to reconnect after normal business hours. One small and one large utility do not charge for the reconnection. All other utilities charge from \$10 to \$50 during normal business hours. The average amount is \$25. For reconnection after normal business hours, the charge ranges from \$30 to \$200. Most smaller utilities charge the higher amounts, although one larger utility charges \$125 for reconnecting on weekends and holidays.

Most utilities required the customer to pay the total delinquent amount prior to reconnection of service. The others require the customer only to negotiate payment arrangements and possibly pay a portion of the past due amount at the time of reconnection. Thirty-five percent of the utilities required a deposit on the account prior to reconnection of service. Utilities under UTC regulation may not refuse to reconnect a customer for an amount owed on a prior disconnection, as long as the customer is able to make arrangements to pay the reconnection fee and any deposit the utility may require.

The survey asked how utilities handle situations where the person who used the service was not the same person responsible for payment, for example if a landlord paid for electric service, but defaulted and the tenant's service was in jeopardy. Half of the utilities representing small, medium and large providers notified both the service user and the landlord of a pending disconnect by way of mailed notices or a posted notice on the premises. Other smaller utilities stated they would only notify

the landlord or allow the landlord the right to decide if the tenant should be notified. Another small utility said they would only notify the service user.

The survey also asked how utilities handled disconnections for customers who needed electricity for a medical problem in their household. Most companies reported that the customer must provide a physician's letter certifying that electricity is required in the household due to a medical problem. Smaller companies said they handled these situations on a case-by-case basis. Most were willing to delay disconnection of service in order for the customer to obtain and transmit the physician's letter.

Finally, in terms of disconnecting services to medical facilities, half the utilities either do not have this situation in their area or if they do, they handle it on a case-by-case basis or they contact the Department of Social and Health Services as well as notifying the medical facility directly. Payment arrangements would then be negotiated for continued service.

The legislature has recognized the need for continued electric service during the winter months. For investor-owned utilities, RCW 80.28.010 (and WAC 480-100-072(3)) provide a moratorium on winter electric disconnections for low-income customers, provided that they are able to make minimum payment arrangements. RCW 54.16.285 places limits on public utilities' ability to terminate utility service for residential heating between mid-November and mid-March. Low-income customers have six criteria they must meet to avoid having heating service terminated:

- 1) The customer must notify the utility of his/her inability to pay the bill.
- 2) The customer must provide certification of household income for the prior twelve months.
- 3) The customer must have applied for home heating assistance from appropriate government and private sector organizations.
- 4) The customer must have applied for low income weatherization, if available.
- 5) The customer must agree to a payment plan as specified in the statute.
- 6) The customer must agree to pay the balance of the bill if he/she moves.

WAC 480-100-071, which addresses disconnection procedures and requirements for investor-owned utilities, includes similar requirements.

Wisconsin has proposed rules requiring that written disconnection notices be provided by mail or in person. To avoid disconnection, customers are allowed to make payment arrangements, enter into a deferred payment arrangement, or obtain energy conservation measures. Customers are allowed up to 17 days between the notice and the day of disconnection to make arrangements. If the service is not disconnected at that time, the utility must provide another 24-48 hour notice delivered to the premises. The utility is not allowed to disconnect when utility representatives are not available the same or following day to negotiate terms of payments

and to restore service. Utilities are not allowed to disconnect service while investigating a disputed bill. However, utilities can require a deposit before reconnection.

Wisconsin also proposes that disconnection of customers with medical emergencies be delayed 21 days once documentation from a physician has been received to make payment arrangements.

### **6.2.6 Customer Complaints**

The survey asked how utilities handled customer complaints. Their responses are illustrated in the following:

**Table 6.6 Customer Complaints**

*Investor-Owned Utilities (3 utilities reporting):*

<b>Issue</b>	<b>Yes</b>	<b>Percent of WA Customers</b>	<b>No</b>	<b>Not Available</b>
When the utility receives a complaint, is there a required time frame during which it must respond to the customer?	3	45%		
Must the customer pay disputed amounts while a complaint is actively investigated?		0%	3	
Does the utility have an escalation or appeal process?	3	45%		
Must the customer pay disputed amounts while an appeal is pending?		0%	3	

*Public Utilities (15 utilities reporting):*

<b>Issue</b>	<b>Yes</b>	<b>Percent of WA Customers</b>	<b>No</b>	<b>Not Available</b>
When the utility receives a complaint, is there a required time frame during which it must respond to the customer?	3	<1%	9	3
Must the customer pay disputed amounts while a complaint is actively investigated?	1	<1%	13	1
Does the utility have an escalation or appeal process?	14	43%	1	
Must the customer pay disputed amounts while an appeal is pending?	1	<1%	11	3

For most utilities, there is no policy about how much time may elapse between a customer complaint and the utility's response. Other utilities had time frames as short as one day.

During the complaint review process by the utility, most do not require the customer to pay the disputed amount. If the customer is not satisfied with the review outcome, most utilities do have an escalation process. Generally, the first escalation level is a supervisor or general manager; and the second level is a governing body of some type. Again, during this process, the customer normally is not required to pay the disputed amount until an answer is received. Utilities normally respond either by telephone or in writing to complainants.

UTC establishes complaint procedures for investor-owned utilities in WAC 480-100-096.

Ohio's rules require the utility to respond to customer complaints within three days, either verbally or in writing. In addition, utilities must have an escalation process in place for an additional review of the complaint.

### **6.2.7 Customer Surveys**

The agencies queried the utilities as to whether they have ever done any market research to determine what types of consumer protection their customers might want or need. Generally, no utilities have done this. Many utilities survey their customers on issues of customer satisfaction and in doing so identify additional services for which their customers may pay. Several public utilities shared this data. These surveys may explore issues that are related to consumer protection such as the market for bill insurance that pays a customer's energy bills for six months in the event of a loss of income. This could be construed as a consumer protection benefit, an added value service, or even a shareholder revenue program. (Forty-four percent of the consumers in one public utility's service territory indicated they were very interested in this type of insurance.)

Investigations have not yet identified any organization or utility in the country that is conducting public research into what types of consumer protection electricity consumers may desire.

### **6.2.8 Retail Contracts**

All responding utilities who have customers served by retail contract agreements provide those customers the same consumer protection as they provide the majority of their customers who purchase power through published tariffs.

## **6.3 Conclusion**

The comparison of consumer protection policies and procedures among reporting utilities shows a range of approaches for interacting with and protecting customers. Disparities exist for several reasons. In some cases, the diversity in consumer protection approaches may be a reflection of the diverse nature of the utilities themselves, varying local circumstances, or the regulatory structure under which they operate. It appears the size of the utility, in part, determines policy and procedures. For example, smaller utilities tend to have more informal means of establishing credit, allowing arrangements for past due amounts, and handling customer complaints. It is also clear that UTC regulation affects consumer protection policies and procedures. Investor-owned companies, which are subject to UTC consumer protection mandates, have more uniform policies and procedures. In addition, those protections tend to be more extensive than those of utilities not subject to UTC regulation.

Many policies and procedures are similar among municipalities and public utility districts. These entities generally provide regular access directly to regulators through board or council meetings held within the community. This access, combined with the ability to elect regulators, gives these customers tools to protect their own interests that do not exist in the same way for customers of investor-owned utilities.

## **6.4 Consumer Protection Considerations**

As the electric industry evolves, consumer protections may need to be reevaluated in light of changing market conditions. The following checklist outlines the basic areas where consumer protection issues and considerations typically arise. These consumer considerations may be relevant to the existing market structure as well as competitive market structures. (In 6.5, we briefly examine consumer protection issues that may become more pressing if retail access is required for some or all consumers.)

- ❖ *Credit standards for use in determining consumers' credit-worthiness:* Credit models could include permitting the customer to provide a letter of credit from a similar utility, a satisfactory credit history report, evidence of consistent employment or the option of providing evidence of ownership of the premises to be served.
- ❖ *Deposit requirements:* These may cover the circumstances under which utilities could require deposits and/or the deposit's magnitude.
- ❖ *Application fees:* Determination of what level of connection fee is reasonable or appropriate.
- ❖ *Bill information:* Clarification of what information is to be included on a customer's bill. This may include an easily understandable format for listing customer name and address, account number, price per kilowatt hour, itemization of taxes and other charges, total amount due, payment due date, a toll-free number for customer complaints or questions and the phone number of the governing body for escalation of complaints.
- ❖ *Energy service provider information, policies, and procedures:* Determination of when and how to provide information such as actual and estimated meter readings; billing practices and due dates; credit and collection policies; late payment charges; rate and fee information (including how customers can provide input on proposed rate changes); availability of heating assistance and conservation programs; safety information; budget payment plans; payment options for delinquent accounts; preferred payment date options; disconnection and reconnection policies; privacy issues and customer complaint procedures.
- ❖ *Payment due dates:* Determination of the appropriate amount of time after billing to require payment and consideration of allowing customers to establish their own payment date to coincide with their income cycles.

- ❖ *Late payment fees:* Determination of the circumstances and magnitude of appropriate late payment fees.
- ❖ *Low-income access to electricity:* Consider special payment arrangements for low-income customers to encourage universal service. (One such arrangement is Clark PUD's "guarantee of service program." This program has reduced low-income disconnects, reduced uncollectibles and resulted in total cost savings for the utility and its ratepayers by reducing administrative costs and securing higher payments from low-income customers. See Section 9.4 and 9.6 for more information.)
- ❖ *Disconnection policies:* Determination of conditions under which a utility may disconnect customers, including notification standards, provision for prompt reconnection, and exceptions for medical conditions, extreme weather, etc. Special standards may be applied for low-income customers, based on ability to pay. (See Section 9 for low-income program information).
- ❖ *Privacy standards:* Determination of standards for privacy of account and/or proprietary information about customers.
- ❖ *Complaint response time and escalation:* Determination of the appropriate time for response to consumer complaints and procedures for appealing responses to supervisory staff or governing bodies.

## 6.5 Consumer Protection in a Competitive Retail Market

Retail competition may generate new consumer protection challenges. The following are examples of new or revised consumer protections that may be needed if retail competition is formally introduced. These examples imply no judgment as to whether changes in industry structure are desirable.

- ❖ Applicability of the Consumer Protection Act to competitive services.
- ❖ Allocation of stranded costs and benefits among customers and shareholders.
- ❖ Determination of responsibility for the ownership and accuracy of meters.
- ❖ Provisions to ensure that bills are clear and accurate; applicable service providers are appropriately identified on customer bills; and generation mix and environmental characteristics are disclosed. Consumers receiving bills for multiple services and perhaps even from multiple companies, may need assurance that partial payment will avoid disconnection of service (that is, payment would first be allocated to the distribution company and second to the generation company). It may also be important to separately list and price each discrete element (such as generation) in a comparable manner on the bill, so that consumers with the ability to choose from a variety of competitors for each service can easily compare prices among providers.

- ❖ Determination of responsibility for basic, core customer service and universal service needs (ensure a provider of last resort).
- ❖ Protection from unfair and deceptive trade and marketing practices, such as slamming, cramming, fraudulent company names, and phone shark practices; and policies that apply when a customer changes suppliers (such as restricting the use of verbal authorizations for changing service providers).
- ❖ Provisions for truth in advertising such as standards for the kinds of comparisons and information that can be used.
- ❖ Protection against market power abuses, such as monitoring affiliate transactions.
- ❖ Registration and licensing for service providers.
- ❖ Adoption of standards for financial viability of service providers.

(USDOE has commissioned a study entitled, “A Blueprint for Consumer Protection for State Electric Retail Competition.” The “Blueprint” will present the most current discussion and national assessment of consumer protection in a competitive retail electric industry providing examples from states that have progressed to the implementation stage.)

Experience from the phone industry and the complex nature of electricity industry changes suggest that effective retail competition may require consumer education to alert consumers to their rights and choices. Such education may reduce the costs of making the transition to a new industry model, and may accelerate the transition by small-load customers to a competitive market.

The extent to which further consumer protections and education are necessary may depend on the extent to which choice is available. Full competition for all consumers, including residential consumers, may require more extensive consumer protection measures than a model which allows choice only for large industrial users.



## **Resources for Section 6**

- <sup>1</sup> National Association of State Utility Consumer Advocates (NASUCA): Proposal for Consumer Bill of Rights; May 19, 1998.
- <sup>2</sup> American Association of Retired Persons (AARP): "Is Electric Utility Restructuring a Bright Idea for Consumers?"; 1997.
- <sup>3</sup> Federal Trade Commission (FTC): Response to the Utah Public Service Commission Request for Comments on Consumer Protection in Docket No. 96-999-001, Report to Electrical Deregulation and Consumer Choice Task Force; July 15, 1998.
- <sup>4</sup> Regulatory Assistance Project (RAP): "Model Electricity Consumer Protection Disclosures"; date unknown.
- <sup>5</sup> Consumer Federation of America (CFA): News release outlining policies to ensure consumer protection during electric utility restructuring; March 1, 1998.
- <sup>6</sup> National Consumer Law Center and Barbara Alexander: "Consumer Protection Proposals for Retail Electric Competition"; October 1996.
- <sup>7</sup> State of Wisconsin: Proposed electric utility service quality rules; March 1998.
- <sup>8</sup> State of Ohio: Electric Service and Safety Standards; date unknown.
- <sup>9</sup> State of Maine: Proposed electric consumer protection rules; August 25, 1998.
- <sup>10</sup> Barbara Alexander: "Comparison of Consumer Protection Provisions in State Legislation on Retail Electric Competition"; March 1998.
- <sup>11</sup> Electric Consumers Alliance: "National Electric Deregulation Survey Summary of Findings"; March 3, 1998.
- <sup>12</sup> National Association of Regulatory Utility Commissioners (NARUC): "Statement of Issues and Options on Customer Choice"; March 1998.